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TO RUEHC/SECSTATE WASHDC IMMEDIATE 2308
INFO RUEHXX/ARAB ISRAELI COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

C O N F I D E N T I A L JERUSALEM 001372

SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR
GOLDBERGER/ROSENSTOCK/SACHAR; PRM FOR PRM/ANE; NSC FOR
PASCUAL; TREASURY FOR ROSE; EEB/CIP FOR GROSS/GIBBS; PLEASE
PASS TO USAID FOR KUNDER/MCCLLOUD/BORODIN

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SUBJECT: WATANIYA'S WAIT IS OVER: MOBILE TELECOM PROVIDER
HAS SPECTRUM, LOOKS TO BEGIN OPERATIONS

REF: JERUSALEM 586

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d)

11. (C) Summary: On July 28, after negotiations lasting more than eighteen months, the Palestinian Authority reached agreement with the GOI on the spectrum necessary to allow the West Bank's second mobile telephone operator to do business. Wataniya Palestine now needs to import and install network equipment in order to meet its January 2009 launch date. The GOI's allocation of frequencies also triggers Wataniya's first license payment to the PA, expected to be approximately USD 80 million, at a time when the PA desperately needs funds. Further payments to the PA, including a regular share of revenue, will come once Wataniya launches its service. PA and Wataniya contacts are pleased to have the spectrum allocation issue behind them, but expect difficult negotiations with the GOI on import of their equipment. End summary.

Frequency allocation allows
Wataniya to get started

12. (C) PA Deputy Minister of Telecom Suleiman Zuhairi confirmed to Econoff that the GOI and PA signed a frequency allocation agreement on July 28, granting the PA frequency spectrum sufficient to allow second Palestinian mobile phone provider Wataniya Palestine to begin operations. (Note: Wataniya won the bid for the mobile license in September 2006, but negotiations on the frequency spectrum delayed its deployment of service. End note.) According to Zuhairi, the agreement makes 2.4 mhz at the 900 bandwidth available to Wataniya now, and, after some step-up allocations in January, Wataniya will have 4.5 mhz at 1800 bandwidth by March 2009.

Financial boost for the PA

13. (C) Under the terms of Wataniya's license agreement with the PA, the company will pay the PA an initial installment of USD 80 million in the coming weeks. Prime Minister Fayyad confirmed to the Consul General that he expects this transfer, but does not have a firm date for its delivery. Once Wataniya begins operations, it will make additional license payments to the PA, and provide a regular stream of funds through a revenue sharing agreement. Wataniya Palestine CEO Allan Richardson estimates that Wataniya could provide the PA up to USD 50 million a year and create upwards of 2,500 jobs in the West Bank.

Wataniya begins import effort

¶4. (C) Richardson told Econoff on July 28 that he was satisfied the amount of spectrum allocated will allow his company to launch in January 2009, provided that they are able to import and install the necessary network equipment. (The first Palestinian mobile telephone operator, Jawwal, was unable to secure GOI agreement to import its servers to the West Bank, and instead located them in the UK.) Richardson thanked Quartet Representative Blair for his help in securing GOI agreement on the frequency allocation, and expressed hope that Blair and the USG would support his efforts to import equipment. Palestine Investment Fund (PIF) Chairman Mohammad Mustafa also expressed his thanks to the Consul General for USG efforts on this issue. Wataniya's first meetings with the GOI on equipment issues are scheduled for early August.

Gaza on hold

¶5. (C) There will be no Wataniya service in Gaza for the foreseeable future. According to Zuhairi and Richardson, the GOI insisted that the spectrum allocation be for the West Bank only. In addition, Wataniya has not concluded its tender for network infrastructure in Gaza. In the West Bank, the infrastructure contract was awarded to Ericsson in October 2007.
WALLES